AMO REPORTS 83-1

RESPONSE TO THE 1983 PROVINCIAL TRANSFER PAYMENT ANNOUNCEMENT

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO
FEBRUARY 1983

ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Association of Municipalities of Ontario, a non-partisan voluntary organization, is united to promote the values of the municipal government system and the status of the municipal level of government as a vital and essential component of the total intergovernmental framework of Ontario and Canada.

The Association acts as the collective voice of Ontario's municipal governments and is organized to accomplish through cooperation and coordination, what the majority have neither the time nor the resources to do individually.

The Association represents some six hundred (600) municipal governments throughout Ontario. The governing body is composed of some eighty (80) municipal elected and appointed officials, who in turn represent a wide-range of municipal government interest.

The following sections and affiliated municipal professional associations form an important part of the Association's structure and therefore, play an important part in its activities in terms of the Board of Directors, program and policy development:

Association Sections:

* County and Regional Section
* Large Urban Section
* Northern Ontario Section (FONOM/NOMA)
* Rural (ROMA) Section
* Organization of Small Urban Municipalities Section

Association Affiliates:

* Association of Municipal Clerks and Treasurers of Ontario
* Association of Municipal Tax Collectors of Ontario
* Municipal Engineers Association
* Ontario Municipal Administrators Association
* Ontario Municipal Personnel Association
* Ontario Municipal Social Services Association
* Society of Directors of Municipal Recreation of Ontario

To the Municipal Clerk:

Please circulate this Report to the members of council and to the staff of your municipality. Additional copies are available at $2.50 each from the Publications Centre, Association of Municipalities of Ontario, 100 University Avenue, Suite 902, Toronto, Ontario M5J 1V6

"AMO Reports 83-1" was submitted to the Minister of Municipal Affairs and Housing on March 11, 1983

Response of the Association of Municipalities of Ontario
to the
1983 Provincial Transfer Payment Announcement

The Provincial Transfer Payments were announced to municipalities at a most disappointing level and, once again, well after the commencement of the municipal fiscal year. The level of the unconditional transfer payments for 1983 is inadequate to meet local service demands. AMO is also concerned that there is a growing emphasis on conditional rather than unconditional transfers. AMO recognizes the Provincial Government's fiscal constraints, but does not feel that municipalities should bear a disproportionate share of the burden.

AMO is particularly concerned that the Minister of Municipal Affairs and Housing arbitrarily chose to cancel, on only a few hours notice, a promised and scheduled meeting with the Executive Committee of the Association. When Mr. Bennett cancelled the meeting, he indicated that he would meet with the AMO Executive Committee immediately prior to announcing the transfer payments in the Legislature.

The Executive Committee, however, chose not to reschedule the meeting for two reasons. It was impossible for any of the AMO representatives to return to Toronto to meet with the Minister and therefore not possible to prepare a response between the meeting with the Minister and the public announcement. The President advised Mr. Bennett of the decision and stated that AMO would respond following a complete review of the announcement.

Over the past several months and in its submission on Bill 179, regarding Public Sector Wage Restraint, AMO has endorsed the efforts of the Provincial Government to reduce inflation and public sector spending. The AMO submission stated, in part,

> *"...the Association has gone on record as supporting wage and price restraint in public and private sectors and has recorded its willingness to work with the Government of Ontario with respect to such matters as would apply to the municipal government sector of the economy.*
>
> *In this connection, while the Association recognizes the current difficulties with respect to provincial fiscal resources, it suggests that the municipal property tax base, that is for the greater part of the municipal sector, is already constrained and contains little opportunity for flexibility within the decision-making process.*

However, in supporting the proposed provincial program, the Association suggests that public sector restraint will also require an important commitment on the part of the Government of Ontario. In this regard, the Association suggests that what is required is a coordinated approach between the provincial and municipal sectors as well as a coordinated approach within the Ministries of the Government when dealing with government programs affecting municipalities.

Furthermore, if transfer payments are to be restrained in recognition of the reality of the Province's present fiscal difficulties, then every effort must be made to avoid the passing of costs from one level of government to another."[1]

While municipalities are prepared to work within the Province's restraint guidelines, AMO is concerned that increases in the level of unconditional transfers to municipalities will only average 4.3%, somewhat less than the 5% guideline that is contained in the Government's own legislation and much less than that provided to other provincially-funded bodies such as universities, hospitals and conservation authorities. The essential services provided by municipalities surely deserve at least an equal level of funding.

Even more disturbing, however, is the tampering of the formulae on which the General Support and Resource Equalization Grants are based. Once again the Government chose to issue a directive to municipalities rather than conferring with them on an issue that is clearly of critical importance. Many municipalities will be forced to increase taxes significantly if existing service levels are to be maintained.

The General Support Grant has come to be relied upon by most municipalities and to assist them in keeping tax levels reasonable. The reduction of one-quarter of 1% (from 6% to 5.75%) in Southern Ontario and three-quarters of 1% (from 18% to 17.25%) in Northern Ontario, will result, in some cases, in a significant loss of revenue. Furthermore, the reduction of this grant will serve to penalize those municipalities that succeeded in keeping their previous year's tax levies to a minimum. In some cases this will actually result in some municipalities experiencing a reduction in the level of this payment from the 1982 level. The reduction in this transfer payment will also

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1 Association of Municipalities of Ontario, Bill 179, An Act respecting the Restraint of Compensation in the Public Sector of Ontario and the Monitoring of Inflationary Conditions in the Economy of the Province, ("AMO Reports 82-22"), September, 1982, pages 4 and 5.

have an unfavourable impact on those municipalities that have opted to participate in the Province's NEED (New Employment Expansion and Development) Program. Many municipalities, not having set their levies, increased it to generate the revenue necessary to participate in the program. The reduction in the base of the General Support Grant will result in an additional burden. As well, many municipalities that had set their levy found it necessary to borrow from reserve funds to finance NEED projects. Again, the reduction in the base of the Support Grant will mean that these municipalities will be unable to replenish their reserve funds.

The reduction in the Resource Equalization Grant will also affect municipalities to various degrees. The Provincial Standard Assessment Per Capita used for Resource Equalizaton Grant purposes has been increased from $18,800 to $20,000 for 1983 or 6.4% while, at the same time, equalized assessment per capita has increased 11.7% Province-wide. As a result, municipalities, collectively, are losing ground since the standard against which eligibility for this transfer payment (Resource Equalization Grant) is measured is not keeping pace with Provincial per capita assessment. Clearly the arbitrary adjustment of the standard in this manner is further evidence of the tampering which has occurred in the 1983 formulae to achieve lower transfer payments to municipalities and ultimately meet Provincial budgetary objectives.

AMO deplores the fact that the inequities and shortfalls of the Per Capita, Police and Density Grants were not addressed in this year's transfer payment announcement. The inclusion of these payments in the Ministry's review of transfer payments is not sufficient reason to perpetuate the general insufficiency of these grants and, in particular, the differential in the police per capita payment.

In its submission on Bill 179, AMO cautioned the Government that there were several issues to be considered when determining the 1983 transfer payments to municipalities. The most critical of these is the fact that some municipal contracts will fall under the transitional provisions of Bill 179 thus permitting some compensation plans to increase to an upward limit of 9%. This strain on already overburdened municipal budgets has not been alleviated by the Government's announcement of transfer payments.

Finally, there are certain issues which remain unresolved from previous years but which merit inclusion in AMO's response to the transfer payment announcement. As mentioned at the outset, the

municipal budgeting process was well underway by the time of the announcement. It would seem redundant to state that knowledge of Provincial transfers, which form a central component of municipal budgets, is essential if municipalities are to make practical and realistic fiscal decisions. AMO would, once again, request that the Provincial Government take immediate steps to correct this timing problem.

With regard to the lack of data accompanying the transfer payment announcement, AMO would request that more complete financial information, including specific program costs by Ministry, be provided so that a comprehensive understanding of Provincial funding can be gained by municipalities. The indication in the Minister's statement that ad hoc funding will be provided should welfare commitments rise above current Provincial forecasts is only useful if some figures are included.

AMO is, once again, prepared and willing to assist the Provincial Government in a review of the transfer payment program. As the Government is aware, the Association feels that much can be done to improve and rationalize the transfer payment grant system. Any changes that will result in increased unconditional transfers and a fair and simplified transfer system will be of benefit to municipalities.

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